

## **Permanent Source Orange County February 1, 2008**

The Department of Housing and Community Development held the first Permanent Source meeting on Friday, February 1. The meeting took place in Irvine and was sponsored by the Orange County Business Council. Approximately 65 people attended; housing representatives, elected officials, city and county staff, and business representatives from the Irvine Company, Disney, architectural firms, Realtors and others.

We heard many good ideas about sources and uses of funds for affordable housing. Although most require legislation or a ballot measure, there were some ideas that do not. Below is a complete list of the sources, uses, and distribution vehicles discussed by participants.

Suggested programs and types of projects that should be funded by a permanent source:

- Homeownership programs for local governments that allow the loan repayments and a share of the equity to remain with the local government to assist additional homeowners
- Continue funding for the State Multifamily Housing Program that has been successful in developing a large number of affordable rental housing units
- Programs that require compliance with State Housing Element Law and reward local governments that do a really great housing element
- Bulk of funds should go to sticks in the ground to increase housing supply in places private sector can't go because it's too expensive to do so
- Tax benefits for employers who invest in workforce housing
- Funding for supportive and community services related to affordable housing. Housing with supportive services.
- CalHFA first time homebuyer and teachers programs should continue at State level as the larger pool provides capacity to assist a larger number of homeowners
- Incentivize rental properties that provide stabilized rents for long term renters
- Make housing for all levels a priority in state investments; partner with all communities
- Workforce housing is a regional problem, must work on a regional solution
- Services for homeless women and children; don't forget about small non-profits, some have difficulty developing housing
- Affordable housing is based upon market forces such as land costs. There is a great need for long-term planning on acquisition of land, and mechanisms such as long term ground leases
- Need to redistribute resources. The entities that benefit from housing should help contribute to it. For example: restructuring of tax benefits for housing can then lead towards capitalization of that stream of finance and provide first time home buyer assistance
- TOD Infill programs: infrastructure costs geared toward housing related infrastructure for infill and transit. Water and sewer projects related to housing site is an effective and popular to continue to fund

- Market rate rental properties are difficult to develop due to fees, delays in the entitlement process, and competition for the same multi-family designated land with condos. The commenter cautions about allowing fee rates to increase or create a bigger disincentive to build this type of housing. We should look at a way to increase stock of market rate rental properties. Restore tax incentives terminated in 1986.
- Normalize Down-payment assistance; communities have different structures for these programs which makes it difficult for the industry to capitalize on those funds. The repayment of these loans and re-using the funds is important
- Universal design keeping people in their homes longer
- Interest rate buy-down assistance to lower monthly mortgage payments, which will also help to lower monthly rents
- Families are included in workforce housing, need to include childcare into the infrastructure of housing design
- Help subsidize the already existing section 8 program. Put the funds into some sort of voucher program, for long term rental subsidies
- Money should be spent on an education program and public relations campaign in support of housing; this to include political officials
- It is important not to forget infrastructure costs as part of the need for funding
- Need a toolkit for affordable housing created by the State; it's difficult to sell housing politically. Use communities such as Irvine to get the message across. Create an environment to help communities understand the challenges of affordable housing
- Increase the supply of disabled- accessible homes
- Funding should go to various stages: from planning to maintenance of existing housing to assisting homeowners and renters with their house payment. Every region will have different needs and different types of housing. Locate the cities and/or counties where the market is not working. Use traditional supply/demand models and have a regional strategy of focus to meet demand. Also, the market will not take care of homeless as they do not fit in the typical supply/demand model
- The business community has a workforce housing scorecard that seems to be effective. The housing toolkit should be localized. There is a need for a "housing 101" for public officials. Use the business community to help educate public officials, freeing up the state to concentrate on putting "sticks in the ground"
- Many cities view affordable housing as money losers. Need to change that outlook so that housing can compete with big box commercial retailers like Wal-Mart. There needs to be state incentives for cities to build housing and sticks to hold them accountable to housing commitments

How should the funds be distributed:

- Enterprise zone for affordable housing. State needs to be a full partner in order to redefine affordable housing
- Existing government structure (state and local) should work. We do not need another bureaucracy
- Take advantage of non-profit organizations that exist, such as regional associations of non-profits who are owners and developers of affordable housing
- Bigger doesn't always mean better, don't forget the small community based organizations
- Local communities already have infrastructure and would like the opportunity to increase their housing activities
- Housing is a regional issue, competition should be regional
- Fair geographic distribution needed; San Francisco and Los Angeles should not receive all the funds
- Funds need to be spent locally, they can move more dollars quickly.
- Some funds should be retained for successful state wide programs
- Give more points to applicants to various HCD programs for providing services
- Resources need to be deployed at a regional level because the small jurisdictions cannot compete with Los Angeles and San Francisco for funding
- Develop community partnerships and they apply for state funding. The partnerships would decide where the funding would be best used to meet local housing needs
- State must be involved for the lowest economic segments of the population as it is not politically viable to do on the local level
- Funds should be used to supplement not supplant existing funding efforts
- Against large boards, they can become a problem (new bureaucracy not needed).
- Incentivize communities that have grade "A" housing elements vs. "C" housing elements
- HCD should continue programs such as MHP, it runs effectively and creates a large number of units

#### Sources of funding:

- Overall consensus is that we need a combination of sources, not just one new permanent source
- Bonding on equity accumulated in shared appreciation homeownership funds (see concept in programs section) to raise additional monies for homeownership assistance. This would make these self sustaining over time
- Add ½% sales tax for affordable housing

- Create an employment tax on an inverse scale to workers wages. Employers create a demand for housing and should contribute to solution. Provide off-setting tax credit to businesses that provide assistance to their employees. University of CA Irvine currently has this program
- Adjust tax codes to incentivize market rate rental housing (restore incentives eliminated in 1986 tax code changes)
- Adjust Proposition 13 to reduce tax incentives for commercial development over housing development ( so called fiscalization of land use)
- Document Recording Fee
- Inclusionary Zoning ordinances, shared appreciation
- Require unused Redevelopment housing set aside funds (excess surplus) to go to a State Housing Trust Fund to support statewide programs
- Sales tax, the Measure M programs runs well
- Unclaimed property fund, money should be used for emergency shelters
- Confiscated property sales
- Roll back the mortgage interest deduction and use funds for housing programs.
- Irvine has created inclusionary zoning with a variety of options to meet the requirement. Money collected through in-lieu fee is put into a trust fund
- Property tax should aid in supporting affordable housing
- There should be a nexus between funds collected and the creation of the need for the funds. The fairness/nexus issue should be addressed both from a political as well as legal viewpoint. Mandatory inclusionary zoning as well real estate transfer fees are inherently unfair and will probably be found to be illegal as well.